

SHELBY COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2016

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Shelby County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Schmitz	Board of Supervisors	January, 2019
Steve Kenkel	Board of Supervisors	January, 2017
Charles Parkhurst	Board of Supervisors	January, 2017
Marsha Carter	County Auditor	January, 2017
Carolyn Blum	County Treasurer	January, 2019
Geralyn Greer	County Recorder	January, 2019
Mark Hervey	County Sheriff	January, 2017
Marcus Gross	County Attorney	January, 2019
Tony Buman	County Assessor	January, 2022

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Shelby County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Iowa as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Officials of Shelby County

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County as of June 30, 2016 and the respective changes in its financial position, and its cash flows where applicable for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions on pages 3 through 3f and on pages 36 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shelby County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2015 (which are not presented herein) and expressed unmodified and qualified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2009 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Officials of Shelby County

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2017 on our consideration of Shelby County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Shelby County's internal control over financial reporting and compliance.

Gmeinhart, Ben, CPA, P.C.

Atlantic, Iowa
February 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Shelby County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 13.9%, or approximately \$1,680,000, from Fiscal 2015 to Fiscal 2016. Property and other County Taxes and Local Option Sales Tax increased approximately \$92,000. Operating Grants and Contributions increased approximately \$220,000, and Capital Grants and Contributions increased by approximately \$1,183,000.
- Program expenses of the County's governmental activities increased 10.7%, or approximately \$1,226,000, more in Fiscal 2016 than in Fiscal 2015. Public Safety and Legal Services increased \$110,000, Mental Health decreased \$150,000, Roads and Transportation increased \$1,175,000, and Governmental Services to Residents increased \$97,000.
- The County's net position increased 5.0%, or approximately \$1,118,000, from June 30, 2015 to June 30, 2016.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Shelby County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Shelby County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Shelby County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, and the County's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets, liabilities, and deferred inflows of resources, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a statement of net position and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 surcharge, emergency management services, empowerment and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Shelby County's combined net position increased from \$22.31 million to \$23.42 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)			
	June 30,		
	2015	2016	
Current and Other Assets	\$ 11,300	\$ 11,887	
Capital Assets	20,960	21,648	
Total Assets	32,260	33,535	
Deferred Outflows of Resources	387	949	
Long-Term Liabilities	2,502	3,116	
Other Liabilities	606	728	
Total Liabilities	3,108	3,844	
Deferred Inflows of Resources	7,232	7,215	
Net Position:			
Net Investment in Capital Assets	20,960	21,648	
Restricted	2,721	2,829	
Unrestricted	(1,374)	(1,052)	
Total Net Position	\$ 22,307	23,425	

Net position of Shelby County's governmental activities increased approximately \$1,118,000, or 5.0% during the year. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets, since they are unavailable for future spending. Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from approximately \$(1,374,000) at June 30, 2015 to approximately \$(1,052,000) at the end of this year.

Changes in Net Position of Governmental Activities (Expressed in Thousands)			
		Year Ended June 30,	
		2015	2016
Revenues			
Program Revenues:			
Charges for Services	\$	928	\$ 954
Operating Grants, Contributions, and Restricted Interest		3,917	4,137
Capital Grants, Contributions, and Restricted Interest		513	1,696
General Revenues:			
Property and Other County Tax		6,252	6,344
Tax Increment Financing		31	142
Penalty and Interest on Property Tax		30	27
State Tax Credits		359	412
Unrestricted Investment Earnings		79	77
Total Revenues		12,109	13,789
Program Expenses			
Public Safety and Legal Services		2,246	2,356
Physical Health and Social Services		472	488
Mental Health		984	834
County Environment and Education		419	422
Roads and Transportation		5,698	6,873
Governmental Services to Residents		424	521
Administration		1,202	1,177
Total Expenses		11,445	12,671
Change in Net Position		664	1,118
Net Position, Beginning of Year		21,643	22,307
Net Position, End of Year	\$	22,307	23,425

Revenues of the County's governmental activities increased 13.9%, or approximately \$1,680,000, from Fiscal 2015 to Fiscal 2016. Property and other County Taxes increased approximately \$92,000. Operating Grants and Contributions increased approximately \$220,000, and Capital Grants and Contributions increased by \$1,183,000.

Fiscal 2016 saw an increase in total taxable valuation of \$15,067,000, which is a 1.9% increase, with the total tax asking increasing by \$249,000, or 4.4%.

The cost of all governmental activities this year was \$12.9 million, an increase of \$1.4 million when compared to last year. However, as shown in the Statement of Activities on page 6, the amount taxpayers ultimately financed for these activities was \$6.34 million because some of the cost was paid by those directly benefited from the programs (\$953,600) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,833,200). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased from approximately \$5,358,050 in 2015 to \$6,786,441 in 2016, principally due to the increase in Capital Grants, Contributions, and Restricted Interest. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$7,002,100 in property and local option taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Shelby County completed the year, its governmental funds reported a combined fund balance of \$4.38 million, an increase of approximately \$272,900 from last year's total of \$4.11 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Shelby County, ended Fiscal Year 2016 with a fund balance totaling \$1,328,605. This was an increase from Fiscal Year 2015 of \$144,650.
- The Mental Health Fund balance at year end decreased by \$37,905 from the prior year. The Mental Health fund ended Fiscal Year 2016 with a balance of \$151,577.
- The Rural Services Fund ended Fiscal Year 2016 with a fund balance of \$179,546. This was a decrease from Fiscal Year 2015 of \$749.
- The Secondary Roads Fund ended Fiscal Year 2016 with a fund balance of \$1,366,875, down \$27,819 when compared to the ending balance for Fiscal Year 2015. The County continues to work for Federal and State grants and shared funding projects, such as FEMA, EWP, etc., to help offset the maintenance costs to local taxpayers.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following a required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Shelby County amended its budget May 17, 2016 by \$1,599,670. The majority of the budget increases were in the Public Safety and Legal Services (\$69,000); Roads and Transportation (\$800,650), County Environment and Education (\$17,000), and Capital Projects (\$652,520) functions.

The County's total receipts of \$12,584,907 were \$195,632 more than budgeted. The County's total disbursements of \$12,025,477 were \$1,296,338 less than budgeted.

The County exceeded the budgeted amount in the mental health function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, Shelby County had approximately \$21.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is an approximate \$688,000 increase (including additions and deletions) from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)			
	June 30		
	2015	2016	
Land	\$ 331	\$ 331	
Construction in Progress	581	204	
Buildings and Improvements	2,279	2,283	
Equipment and Vehicles	3,078	3,293	
Infrastructure	14,691	15,537	
Total	\$ 20,960	21,648	

The County had depreciation expense of \$1,482,254 in Fiscal 2016 and total accumulated depreciation of \$12,764,760 at June 30, 2016. The County's Fiscal Year 2016 capital budget included \$1,542,000 for capital projects, principally for bridge construction. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2016, Shelby County had \$ - 0 - in general obligation notes outstanding, the same as June 30, 2015.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the 1-1-2014 assessed value of all taxable property in the County. Shelby County's constitutional debt limit is approximately \$38.5 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Shelby County's elected and appointed officials and citizens considered many factors when setting the Fiscal Year 2017 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. In December of 2015, the County's unemployment was at 2.9% versus 3.0% a year ago. This compared with the State's unemployment rate of 3.5% and the national rate of 5.3%.

All the different variables were taken into account when adopting the Fiscal Year 2017 Budget. General Fund property taxes were increased this year by \$32,000 (+1%), but Rural Fund property taxes were increased by \$99,000 (+5.0%). The County's tax asking over the last 10 years has averaged approximately 3%. Not including property tax revenue, budgeted revenues for the General and Rural Services Funds remained approximately the same. Expected revenues from Local Option Sales Tax, Licenses & Permits, Charges for Services and Use of Money and Property were estimated at the same level. As the County continues to try to hold the line on spending, budgeted expenditures in the General and Rural Services Funds stayed level, including increases in wages and benefits. The County is still deficit spending out of the General Fund. Over the next few years the County will work towards stabilizing that reserve to enable the County to cover any unforeseen expenditures. The final Fiscal Year 2017 Budget was adopted with a total tax rate decrease of \$0.13 per \$1,000 of taxable valuation and a total tax asking increase of \$130,510.

The Board of Supervisors sets aside money each year for maintenance of the Courthouse and the other County Office buildings. As carpet in the various offices is due to be replaced, tile is being installed where feasible because it is a long term solution. The Board continues to contract almost every year for tuckpointing and stone replacement on the Courthouse. Over the last couple of years, the Courthouse has had some major sewer problems. Over the next 2-5 years, the County will be budgeting money to replace all the cast iron pipes under and outside the Courthouse. Current estimates are \$50-75,000 to complete this project.

The County continues to work on our declining bridge system, using whatever State and Federal funding is available.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Shelby County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Maxwell, Shelby County Auditor, 612 Court St., Harlan, Iowa 51537-0650.

Shelby County
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,585,256
Receivables:	
Property tax:	
Delinquent	1,585
Succeeding year	6,404,000
Interest and penalty on property tax	1,102
Accounts	73,880
Accrued interest	2,878
Due from other funds	26,591
Due from other governments	123,766
Prepaid insurance	44,161
Inventories	624,498
Capital assets (net of accumulated depreciation)	<u>21,647,679</u>
Total assets	<u>33,535,396</u>
Deferred Outflows of Resources	
Pension related deferred outflows	948,697
Liabilities	
Accounts payable	580,449
Salaries and benefits payable	140,273
Due to other governments	7,978
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	730,221
Portion due or payable after one year:	
Net pension liability	<u>2,385,657</u>
Total liabilities	<u>3,844,578</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	6,404,000
Pension related deferred inflows	<u>810,585</u>
Total deferred inflows of resources	<u>7,214,585</u>

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Shelby County
Statement of Net Position - continued
June 30, 2016

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	\$ 21,647,679
Restricted for:	
Rural services purposes	165,865
Mental health purposes	117,305
Secondary roads purposes	1,191,948
Capital projects	729,052
Other purposes	625,025
Unrestricted	<u>(1,051,944)</u>
Total net position	<u>\$ 23,424,930</u>

See notes to financial statements.

Shelby County
Statement of Activities
Year ended June 30, 2016

		<u>Program Revenues</u>
	<u>Expenses</u>	<u>Charges for Service</u>
Functions/Programs:		
Governmental activities:		
Public safety and legal services	\$ 2,355,957	\$ 68,845
Physical health and social services	488,106	21,227
Mental health	833,522	--
County environment and education	422,657	527,966
Roads and transportation	6,872,682	--
Governmental services to residents	520,970	335,568
Administrative services	<u>1,176,737</u>	<u>--</u>
Total	<u>\$ 12,670,631</u>	<u>\$ 953,606</u>
General Revenues:		
Property and other county tax levied for:		
General purposes		
Penalty and interest on property tax		
Local option sales tax		
Tax increment financing		
State tax credits		
Unrestricted investment earnings		
Total general revenues		
Change in net position		
Net position beginning of year		
Net position end of year		

See notes to financial statements.

<u>Program Revenues</u>		
<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
\$ 106,782	\$ --	\$(2,180,330)
213,055	--	(253,824)
4,933	--	(828,589)
115,174	--	220,483
3,623,543	1,695,875	(1,553,264)
15,360	--	(170,042)
58,113	--	(1,118,624)
<u>\$ 4,136,960</u>	<u>\$ 1,695,875</u>	<u>(5,884,190)</u>

5,879,715
 27,706
 463,962
 141,634
 411,864
77,196
7,002,077
 1,117,887
22,307,043
\$ 23,424,930

Shelby County
Balance Sheet
Governmental Funds

June 30, 2016

	<u>General</u>	<u>Special Revenue</u> <u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Assets			
Cash and pooled investments	\$ 1,464,564	\$ 138,479	\$ 1,441,250
Receivables:			
Property tax:			
Delinquent	247	133	--
Succeeding year	3,938,000	2,059,000	--
Interest and penalty on property tax	1,102	--	--
Accounts	15,307	--	790
Accrued interest	2,878	--	--
Due from other funds	26,373	--	186
Due from other governments	29,587	41,067	34,133
Inventories	--	--	624,498
Prepaid insurance	<u>44,161</u>	<u>--</u>	<u>--</u>
Total assets	<u>\$ 5,522,219</u>	<u>\$ 2,238,679</u>	<u>\$ 2,100,857</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 64,462	\$ --	\$ 478,649
Salaries and benefits payable	55,292	--	69,126
Due to other funds	--	--	--
Due to other governments	5,610	--	45
Compensated absences	<u>128,901</u>	<u>--</u>	<u>186,162</u>
Total liabilities	<u>254,265</u>	<u>--</u>	<u>733,982</u>
Deferred Inflows of Resources:			
Unavailable revenues:			
Succeeding year property tax	3,938,000	2,059,000	--
Other	<u>1,349</u>	<u>133</u>	<u>--</u>
Total deferred inflows of resources	<u>3,939,349</u>	<u>2,059,133</u>	<u>--</u>

(continued next page)

<u>Special Revenue Mental Health</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 191,592	\$ 741,755	\$ 607,616	\$ 4,585,256
135	--	1,070	1,585
270,000	--	137,000	6,404,000
--	--	--	1,102
--	--	57,783	73,880
--	--	--	2,878
--	--	218	26,777
--	--	18,979	123,766
--	--	--	624,498
--	--	--	44,161
<u>\$ 461,727</u>	<u>\$ 741,755</u>	<u>\$ 822,666</u>	<u>\$ 11,887,903</u>
\$ --	\$ 12,703	\$ 24,635	\$ 580,449
3,205	--	12,650	140,273
--	--	186	186
--	--	2,323	7,978
36,810	--	20,847	372,720
<u>40,015</u>	<u>12,703</u>	<u>60,641</u>	<u>1,101,606</u>
270,000	--	137,000	6,404,000
<u>135</u>	<u>--</u>	<u>1,070</u>	<u>2,687</u>
<u>270,135</u>	<u>--</u>	<u>138,070</u>	<u>6,406,687</u>

Shelby County
Balance Sheet
Governmental Funds - continued

June 30, 2016

	<u>General</u>	<u>Special Revenue</u>	
		<u>Rural Services</u>	<u>Secondary Roads</u>
Fund balances:			
Nonspendable:			
Inventories	\$ --	\$ --	\$ 624,498
Prepaid insurance	44,161	--	--
Restricted for:			
Rural services purposes	--	179,546	--
Secondary roads purposes	--	--	742,377
Mental health purposes	--	--	--
Capital projects purposes	--	--	--
Other purposes	--	--	--
Unassigned	<u>1,284,444</u>	<u>--</u>	<u>--</u>
Total fund balances	<u>1,328,605</u>	<u>179,546</u>	<u>1,366,875</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,522,219</u>	<u>\$ 2,238,679</u>	<u>\$ 2,100,857</u>

See notes to financial statements.

<u>Special Revenue Mental Health</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ 624,498
--	--	--	44,161
--	--	--	179,546
--	--	--	742,377
151,577	--	--	151,577
--	729,052	--	729,052
--	--	623,955	623,955
--	--	--	1,284,444
<u>151,577</u>	<u>729,052</u>	<u>623,955</u>	<u>4,379,610</u>
<u>\$ 461,727</u>	<u>\$ 741,755</u>	<u>\$ 822,666</u>	<u>\$ 11,887,903</u>

Shelby County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position

June 30, 2016

Total governmental fund balances (page 8)	\$ 4,379,610
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$34,412,439 and the accumulated depreciation is \$12,764,760.

21,647,679

Certain assets are not available to pay for current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

2,687

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources

\$ 948,697

Deferred inflows of resources

(810,585)

138,112

Long-term liabilities, including net pension liability and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.

(2,743,158)

Net position of governmental activities (page 5)

\$ 23,424,930

See notes to financial statements.

Shelby County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2016

	<u>General</u>	<u>Special Revenue</u>	
		<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues:			
Property and other County tax	\$ 3,614,203	\$ 1,896,144	\$ --
Local option sales tax	154,654	154,654	154,654
Interest and penalty on property tax	29,467	--	--
Intergovernmental	564,604	187,889	4,005,281
Licenses and permits	3,603	--	4,765
Charges for service	315,076	--	--
Use of money and property	77,196	--	--
Miscellaneous	59,416	--	144,761
Total revenues	<u>4,818,219</u>	<u>2,238,687</u>	<u>4,309,461</u>
Expenditures:			
Operating:			
Public safety and legal services	2,248,041	--	--
Physical health and social services	302,446	--	--
Mental health	--	--	--
County environment and education	30,623	130,561	--
Roads and transportation	--	--	5,758,022
Governmental services to residents	506,487	226	--
Administration	1,124,841	--	--
Capital projects	--	--	753,707
Total expenditures	<u>4,212,438</u>	<u>130,787</u>	<u>6,511,729</u>
Excess (deficiency) of revenues over (under) expenditures	<u>605,781</u>	<u>2,107,900</u>	<u>(2,202,268)</u>

(continued next page)

<u>Special Revenue Mental Health</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 369,342	\$ --	\$ 141,634	\$ 6,021,323
--	--	--	463,962
--	--	--	29,467
24,203	--	472,953	5,254,930
--	--	135,463	143,831
--	--	69,393	384,469
--	--	28	77,224
4,933	15,350	25,976	250,436
<u>398,478</u>	<u>15,350</u>	<u>845,447</u>	<u>12,625,642</u>
--	--	12,289	2,260,330
--	--	181,896	484,342
436,383	--	381,255	817,638
--	--	273,479	434,663
--	--	--	5,758,022
--	--	--	506,713
--	--	--	1,124,841
--	212,463	--	966,170
<u>436,383</u>	<u>212,463</u>	<u>848,919</u>	<u>12,352,719</u>
<u>(37,905)</u>	<u>(197,113)</u>	<u>(3,472)</u>	<u>272,923</u>

Shelby County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds - continued

Year ended June 30, 2016

	<u>General</u>	<u>Special Revenue</u> <u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Other financing sources (uses):			
Operating transfers in	\$ 200,000	\$ --	\$ 2,174,449
Operating transfers out	<u>(661,131)</u>	<u>(2,108,649)</u>	<u>--</u>
Total other financing sources (uses)	<u>(461,131)</u>	<u>(2,108,649)</u>	<u>2,174,449</u>
Change in fund balances	144,650	(749)	(27,819)
Fund balances beginning of year	<u>1,183,955</u>	<u>180,295</u>	<u>1,394,694</u>
Fund balances end of year	<u>\$ 1,328,605</u>	<u>\$ 179,546</u>	<u>\$ 1,366,875</u>

See notes to financial statements.

<u>Special Revenue Mental Health</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ --	\$ 354,950	\$ 185,000	\$ 2,914,399
--	--	(144,619)	(2,914,399)
--	354,950	40,381	--
(37,905)	157,837	36,909	272,923
<u>189,482</u>	<u>571,215</u>	<u>587,046</u>	<u>4,106,687</u>
<u>\$ 151,577</u>	<u>\$ 729,052</u>	<u>\$ 623,955</u>	<u>\$ 4,379,610</u>

Shelby County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds to the Statement of Activities

Year ended June 30, 2016

Change in fund balances - Total governmental funds (page 11)	\$ 272,923
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:	
Expenditures for capital assets	\$ 1,005,286
Capital assets contributed by the Iowa Department of Transportation	1,323,360
Depreciation expense	<u>(1,482,254)</u> 846,392
In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.	(158,749)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:	
Property tax	(1,735)
The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position	383,593
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:	
Compensated absences	(32,676)
Pension expense	<u>(191,861)</u> (224,537)
Change in net position of governmental activities (page 6)	<u>\$ 1,117,887</u>

See notes to financial statements.

Shelby County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,752,022
Other County Officials	51,533
Receivables:	
Property tax:	
Delinquent	5,789
Succeeding year	16,221,000
Accounts	15,780
Special assessments	32,225
Due from other funds	218
Due from other governments	--
Total assets	<u>18,078,567</u>

Liabilities

Accounts payable	190,087
Salaries and benefits payable	21,032
Due to other funds	26,809
Due to other governments	17,709,445
Trusts payable	3,520
Compensated absences	127,674
Total liabilities	<u>18,078,567</u>

Net position	<u>\$ --</u>
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See notes to financial statements.

Shelby County

Notes to Financial Statements

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Shelby County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Shelby County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Joint E-911 Service Board, Harrison/Monona/Shelby County Empowerment Area and Shelby County Area Solid Waste Agency. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: West Central Iowa Sheltered Workshop (WESCO), Southwest Iowa Planning Council (SWIPCO) and Southwest Iowa Juvenile Detention Center.

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2015.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings, and improvements	25,000
Intangibles	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 - 50
Building improvements	20 - 50
Land improvements	10 - 50
Infrastructure	10 - 50
Intangibles	5 - 20
Equipment and vehicles	3 - 20

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County's reporting period.

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for amounts paid to employees within sixty days after year end. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Secondary Roads and Conservation Funds.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represents an acquisition of net position applicable to future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the mental health function and disbursements in certain departments exceeded the amounts appropriated.

NOTE 2 - CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest Rate Risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit Risk - The County had no investments with credit risk.

Concentration of Credit Risk - The County places no limit on the amount which may be invested in any one issuer.

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency:	
	County Sheriff	\$ 7,446
	County Recorder	<u>18,927</u>
		26,373
Special Revenue:	Special Revenue:	
Secondary Roads	Environmental Health	186
Agency:	Agency:	
Recorders' Electronic	County Recorder	218
Transfer Fee		
Special Revenue:	Agency:	
County Recorder's	County Recorder	<u>218</u>
Records Management		
Total		<u>\$ 26,995</u>

These balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 4 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Rural Services	\$ 200,000
Special Revenue: Secondary Roads	General	130,181
	Special Revenue: Rural Services	1,908,649
	TIF	<u>135,619</u>
		2,174,449
Special Revenue: Conservation	General	185,000
Capital Projects	General	345,950
	Special Revenue: Environmental Health	<u>9,000</u>
		<u>354,950</u>
		<u>\$ 2,914,399</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 330,775	\$ --	\$ --	\$ 330,775
Construction in progress	580,580	1,917,068	2,293,132	204,516
Total capital assets not being depreciated/ amortized	911,355	1,917,068	2,293,132	535,291
Capital assets being depreciated/amortized:				
Buildings	4,326,724	128,105	--	4,454,829
Land improvements	63,667	--	--	63,667
Equipment and vehicles	8,850,559	1,062,863	736,056	9,177,366
Infrastructure, road network	18,667,544	1,513,742	--	20,181,286
Total capital assets being depreciated/amortized	31,908,494	2,704,710	736,056	33,877,148
Less accumulated depreciation/ amortization for:				
Buildings	2,095,039	121,576	--	2,216,615
Land improvements	15,917	3,183	--	19,100
Equipment and vehicles	5,772,728	689,154	577,307	5,884,575
Infrastructure, road network	3,976,129	668,341	--	4,644,470
Total accumulated depreciation/amortization	11,859,813	1,482,254	577,307	12,764,760
Total capital assets being depreciated/amortized, net	20,048,681	1,222,456	158,749	21,112,388
Governmental activities capital assets, net	\$ 20,960,036	\$3,139,524	\$2,451,881	\$ 21,647,679

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 5 - CAPITAL ASSETS - continued

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 100,516
Mental health	5,321
County environment and education	19,363
Roads and transportation	1,085,701
Governmental services to residents	14,927
Administrative services	<u>256,426</u>

Total depreciation/amortization expense - governmental activities	<u>\$1,482,254</u>
--	--------------------

NOTE 6 - DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Services	\$ 5,610
Special Revenue:		
Secondary Roads		45
Case Management		182
Drug forfeiture		<u>2,141</u>
		<u>2,368</u>
Total for governmental funds		<u>\$ 7,978</u>
Agency:		
County Assessor	Collections	\$ 411,851
Emergency Management		
Services		285,847
Schools		8,885,159
Community Colleges		1,185,668
Corporations		4,456,722
Townships		390,650
Auto License and Use Tax		323,031
County Hospital		1,012,879
E911 Commission		272,168
All Other		<u>485,470</u>
Total for agency funds		<u>\$ 17,709,445</u>

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	<u>Net Pension Liability</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 1,867,194	\$ 634,660	\$ 2,501,854
Increases	518,463	95,561	614,024
Decreases	<u>--</u>	<u>--</u>	<u>--</u>
Balance end of year	<u>\$ 2,385,657</u>	<u>\$ 730,221</u>	<u>\$ 3,115,878</u>
Due within one year	<u>\$ --</u>	<u>\$ 730,221</u>	<u>\$ 730,221</u>

NOTE 8 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Shelby County
Notes to Financial Statements

June 30, 2016

NOTE 8 - PENSION PLAN - Continued

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

Shelby County

Notes to Financial Statements

June 30, 2016

NOTE 8 - PENSION PLAN - Continued

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll, for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 were \$383,593.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the County reported a liability of \$2,385,657 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the County's proportion was 0.048288%, which was an increase of 0.001207% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$191,861. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total - All Groups	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,678	\$ 21,465
Changes of assumptions	65,016	16,999
Net difference between projected and actual earnings on pension plan investments	464,410	718,082
Changes in proportion and differences between County contributions and proportionate share of contributions	--	54,039
County contributions subsequent to the measurement date	383,593	--
	<u>\$ 948,697</u>	<u>\$ 810,585</u>

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 8 - PENSION PLAN - Continued

The \$383,593, reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2017	\$(120,513)
2018	(120,513)
2019	(120,513)
2020	116,275
2021	(217)
	<u>\$(245,481)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rate of salary increase (effective June 30, 2010)	4.00% to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Shelby County

Notes to Financial Statements

June 30, 2016

NOTE 8 - PENSION PLAN - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
County's proportionate share of the net pension liability	\$ 4,667,276	\$ 2,385,657	\$ 461,639

Shelby County

Notes to Financial Statements

June 30, 2016

NOTE 8 - PENSION PLAN - Continued

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2016.

NOTE 9 - RISK MANAGEMENT

Shelby County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2016 were approximately \$87,500.

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 9 - RISK MANAGEMENT - Continued

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with the Shelby County Care Facility and for employee blanket bond, and participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for Workman's Compensation insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Shelby County
Notes to Financial Statements
June 30, 2016

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: As required by state law, the County offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all County employees, and the retirees must pay the full cost of the health insurance premium equal to that charged for current employees. There are 67 active employees and no retirees currently covered by the plan.

Funding Policy: The County does not set aside funds to pay for any OPEB liability. Any County costs of an implicit health insurance premium rate subsidy are charged to expense in the year paid.

Net OPEB Obligation: Management of the County considers any OPEB obligation, which may exist, to be immaterial. Therefore, no OPEB liability has been recorded in these financial statements.

NOTE 11 - COMMITMENT AND CONTINGENCY

Construction

The County has entered into contracts totaling approximately \$920,000, primarily for bridge replacement and software updates to be completed during fiscal year 2017. As of June 30, 2016, the County has incurred \$204,516 on these projects. The projects will be financed with existing funds.

Subsequent Events

The County has evaluated all subsequent events through February 20, 2017, the date the financial statements were available to be issued.

Shelby County

Notes to Financial Statements

June 30, 2016

NOTE 12 - EARLY CHILDHOOD IOWA AREA BOARD

Shelby County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the M/H/S Empowerment Agency Fund because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2016 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early Childhood	\$ 31,909	\$ --	\$ 31,909
Family support and parent education	--	172,676	172,676
Preschool support for low-income families	--	75,817	75,817
Quality improvement	--	54,904	54,904
Allocation for administration	1,679	9,930	11,609
Other grant programs	--	17,804	17,804
Total state grants	33,588	331,131	364,719
Interest on investments	17	168	185
Total revenues	33,605	331,299	364,904
Expenditures:			
Program services:			
Early Childhood	32,405	--	32,405
Family support and parent education	--	172,516	172,516
Preschool support for low-income families	--	86,322	86,322
Quality improvement	--	45,923	45,923
Other program services	--	17,660	17,660
Total program services	32,405	322,421	354,826
Administration	1,600	9,919	11,519
Total expenditures	34,005	332,340	366,345
Change in fund balance	(400)	(1,041)	(1,441)
Fund balance beginning of year	3,370	43,077	46,447
Fund balance end of year	\$ 2,970	\$ 42,036	\$ 45,006

Shelby County

Notes to Financial Statements

June 30, 2016

NOTE 13 - COUNTY FINANCIAL INFORMATION INCLUDED IN THE SOUTHWEST IOWA MENTAL HEALTH AND DISABILITY SERVICES REGION

Southwest Iowa Mental Health and Disability Services Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Cass, Fremont, Harrison, Mills, Monona, Montgomery, Page, Pottawattamie, and Shelby. The financial activity of Shelby County's Special Revenue, Mental Health Fund is included in the Southwest Iowa Mental Health and Disability Services Region for the year ended June 30, 2016, as follows:

Revenues:

Property and other county tax		\$	369,342
Intergovernmental revenues:			
State tax credits			24,203
Miscellaneous			<u>4,933</u>
Total revenues			<u>398,478</u>

Expenditures:

General administration:			
Direct administration	\$	207,856	
Distribution to regional fiscal agent		<u>228,527</u>	<u>436,383</u>
Total expenditures			<u>436,383</u>

Change in fund balance	(37,905)
Fund balance beginning of the year		<u>189,482</u>
Fund balance end of the year	\$	<u>151,577</u>

* * *

REQUIRED SUPPLEMENTARY INFORMATION

Shelby County

Budgetary Comparison Schedule of Receipts, Disbursements and
Changes in Balances - Budget and Actual (Cash Basis)

All Governmental Funds
Required Supplementary Information

Year ended June 30, 2016

	<u>Actual</u>	<u>Less Funds not Required to be Budgeted</u>	<u>Net</u>
Receipts:			
Property and other County tax	\$ 6,480,349	\$ --	\$ 6,480,349
Interest and penalty on property tax	29,467	--	29,467
Intergovernmental	5,244,696	--	5,244,696
Licenses and permits	143,376	--	143,376
Charges for service	377,045	--	377,045
Use of money and property	76,987	--	76,987
Miscellaneous	232,987	--	232,987
Total receipts	<u>12,584,907</u>	<u>--</u>	<u>12,584,907</u>
Disbursements:			
Public safety and legal services	2,314,241	--	2,314,241
Physical health and social services	452,067	--	452,067
Mental health	821,637	--	821,637
County environment and education	414,749	--	414,749
Roads and transportation	5,404,261	--	5,404,261
Governmental services to residents	426,803	--	426,803
Administration	1,161,874	--	1,161,874
Nonprogram	--	--	--
Debt service	--	--	--
Capital projects	1,029,845	--	1,029,845
Total disbursements	<u>12,025,477</u>	<u>--</u>	<u>12,025,477</u>
Excess (deficiency) of receipts over (under) disbursements	559,430	--	559,430
Balance beginning of year	<u>4,025,826</u>	<u>--</u>	<u>4,025,826</u>
Balance end of year	<u>\$ 4,585,256</u>	<u>\$ --</u>	<u>\$ 4,585,256</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
\$ 6,657,831	\$ 6,657,831	\$ (177,482)
30,000	30,000	(533)
4,019,811	5,024,402	220,294
141,957	141,957	1,419
298,170	298,170	78,875
80,000	80,000	(3,013)
156,915	156,915	76,072
<u>11,384,684</u>	<u>12,389,275</u>	<u>195,632</u>
2,306,425	2,375,425	61,184
540,978	548,978	96,911
805,227	805,227	(16,410)
411,224	428,224	13,475
5,052,995	5,853,645	449,384
492,484	466,984	40,181
1,213,812	1,275,812	113,938
10,000	26,000	26,000
--	--	--
889,000	1,541,520	511,675
<u>11,722,145</u>	<u>13,321,815</u>	<u>1,296,338</u>
(337,461)	(932,540)	1,491,970
<u>2,894,686</u>	<u>2,894,686</u>	<u>1,131,140</u>
<u>\$ 2,557,225</u>	<u>\$ 1,962,146</u>	<u>\$ 2,623,110</u>

Shelby County
 Budgetary Comparison Schedule -Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2016

	Governmental Fund Types		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 12,584,907	\$ 40,735	\$ 12,625,642
Expenditures	<u>12,025,477</u>	<u>327,242</u>	<u>12,352,719</u>
Net	559,430	(286,507)	272,923
Beginning fund balances	<u>4,025,826</u>	<u>80,861</u>	<u>4,106,687</u>
Ending fund balances	<u>\$ 4,585,256</u>	<u>\$ (205,646)</u>	<u>\$ 4,379,610</u>

See accompanying independent auditor's report.

Shelby County

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2016

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,599,670. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the mental health function and disbursements in certain departments exceeded the amounts appropriated.

See accompanying independent auditor's report.

Shelby County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Fiscal Years

Required Supplementary Information

	<u>2016</u>	<u>2015</u>
County's collective proportion of the net pension liability	0.048288%	0.047081%
County's collective proportionate share of the net pension liability	\$ 2,386,000	\$ 1,867,000
County's covered-employee payroll	\$ 4,040,000	\$ 3,926,000
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.06%	47.55%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available. Amounts reported are rounded.

See accompanying independent auditor's report.

Shelby County
Schedule of County Contributions
Iowa Public Employees' Retirement System
Last 7 Fiscal Years

Required Supplementary Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 384,000	\$ 369,000	\$ 358,000	\$ 345,000
Contributions in relation to the statutorily required contribution	<u>(384,000)</u>	<u>(369,000)</u>	<u>(358,000)</u>	<u>(345,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
County's covered-employee payroll	\$ 4,235,000	\$ 4,040,000	\$ 3,926,000	\$ 3,872,000
Contributions as a percentage of covered-employee payroll	9.07%	9.13%	9.12%	8.91%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available. Amounts reported are rounded.

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 313,000	\$ 277,000	\$ 250,000
<u>(313,000)</u>	<u>(277,000)</u>	<u>(250,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 3,732,000	\$ 3,759,000	\$ 3,624,000
8.39%	7.37%	6.90%

Shelby County

Notes to Required Supplementary Information - Pension Liability

Year Ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

* * *

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

Shelby County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016

	Special Revenue			
	County Recorder's Records Management	Recorder's Electronic Transaction Fee	Conservation	Resource Enhancement and Protection
Assets				
Cash and pooled investments	\$ 6,285	\$ 830	\$ 40,124	\$ 28,461
Receivables:				
Accounts receivable	--	--	--	--
Property Tax:				
Delinquent	--	--	--	--
Succeeding year	--	--	--	--
Due from other funds	218	--	--	--
Due from other governments	--	--	18,259	--
Total assets	<u>\$ 6,503</u>	<u>\$ 830</u>	<u>\$ 58,383</u>	<u>\$ 28,461</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ 18,061	\$ --
Salaries and benefits payable	--	--	2,046	--
Due to other funds	--	--	--	--
Due to other governments	--	--	--	--
Compensated absences	--	--	20,847	--
Total liabilities	<u>--</u>	<u>--</u>	<u>40,954</u>	<u>--</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	--	--	--	--
Other	--	--	--	--
Total deferred inflows of resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balances:				
Restricted for:				
Other purposes	<u>6,503</u>	<u>830</u>	<u>17,429</u>	<u>28,461</u>
Total fund balances	<u>6,503</u>	<u>830</u>	<u>17,429</u>	<u>28,461</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,503</u>	<u>\$ 830</u>	<u>\$ 58,383</u>	<u>\$ 28,461</u>

(continued next page)

Special Revenue					
<u>Drug Forfeiture</u>	<u>Commissary</u>	<u>Flood and Erosion</u>	<u>Tax Increment Financing</u>	<u>Case Management</u>	<u>Environmental Health</u>
\$ 12,592	\$ 11,949	\$ 26,188	\$ 199,800	\$ 226,368	\$ 55,019
--	335	--	--	57,448	--
--	--	--	1,070	--	--
--	--	--	137,000	--	--
--	--	--	--	--	--
--	720	--	--	--	--
<u>\$ 12,592</u>	<u>\$ 13,004</u>	<u>\$ 26,188</u>	<u>\$ 337,870</u>	<u>\$ 283,816</u>	<u>\$ 55,019</u>
\$ --	\$ --	\$ --	\$ --	\$ 2,500	\$ 4,074
--	--	--	--	8,438	2,166
--	--	--	--	--	186
2,141	--	--	--	182	--
--	--	--	--	--	--
<u>2,141</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>11,120</u>	<u>6,426</u>
--	--	--	137,000	--	--
--	--	--	1,070	--	--
--	--	--	138,070	--	--
<u>10,451</u>	<u>13,004</u>	<u>26,188</u>	<u>199,800</u>	<u>272,696</u>	<u>48,593</u>
<u>10,451</u>	<u>13,004</u>	<u>26,188</u>	<u>199,800</u>	<u>272,696</u>	<u>48,593</u>
<u>\$ 12,592</u>	<u>\$ 13,004</u>	<u>\$ 26,188</u>	<u>\$ 337,870</u>	<u>\$ 283,816</u>	<u>\$ 55,019</u>

Shelby County
Combining Balance Sheet - Continued
Nonmajor Governmental Funds

June 30, 2016

	<u>Total</u>
Assets	
Cash and pooled investments	\$ 607,616
Receivables:	
Accounts receivable	57,783
Property tax:	
Delinquent	1,070
Succeeding year	137,000
Due from other funds	218
Due from other governments	<u>18,979</u>
Total assets	<u>\$ 822,666</u>
Liabilities, Deferred Inflows of Resources and Fund Balances	
Liabilities:	
Accounts payable	\$ 24,635
Salaries and benefits payable	12,650
Due to other funds	186
Due to other governments	2,323
Compensated absences	<u>20,847</u>
Total liabilities	<u>60,641</u>
Deferred inflows of resources:	
Unavailable revenues:	
Succeeding year property tax	137,000
Other	<u>1,070</u>
Total deferred inflows of resources	<u>138,070</u>
Fund balances:	
Restricted for:	
Other purposes	<u>623,955</u>
Total fund balances	<u>623,955</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 822,666</u>

See accompanying independent auditor's report.

Shelby County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2016

	Special Revenue		
	County Recorder's Records Management	Recorder's Electronic Transaction Fee	Conservation
Revenues:			
Property and other County tax	\$ --	\$ --	\$ --
Intergovernmental	--	--	37,830
Licenses and permits	--	--	--
Charges for service	2,479	--	45,687
Use of money and property	6	4	--
Miscellaneous	--	--	2,668
Total revenues	<u>2,485</u>	<u>4</u>	<u>86,185</u>
Expenditures:			
Operating:			
Public safety and legal services	--	--	--
Physical health and social services	--	--	--
Mental health	--	--	--
County environment and education	--	--	260,369
Total expenditures	<u>--</u>	<u>--</u>	<u>260,369</u>
Excess (deficiency) of revenues over (under) expenditures	2,485	4	(174,184)
Other financing sources (uses):			
Operating transfers in	--	--	185,000
Operating transfers out	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>185,000</u>
Change in fund balances	2,485	4	10,816
Fund balances beginning of year	<u>4,018</u>	<u>826</u>	<u>6,613</u>
Fund balances end of year	<u>\$ 6,503</u>	<u>\$ 830</u>	<u>\$ 17,429</u>

(continued next page)

Special Revenue					
Resource Enhancement and Protection	Drug Forfeiture	Commissary	Flood and Erosion	Tax Increment Financing	Case Management
\$ --	\$ --	\$ --	\$ --	\$ 141,634	\$ --
17,232	--	--	--	--	392,146
--	--	--	--	--	--
--	--	--	--	--	--
6	12	--	--	--	--
--	2,489	17,655	--	--	--
<u>17,238</u>	<u>2,501</u>	<u>17,655</u>	<u>--</u>	<u>141,634</u>	<u>392,146</u>
--	2,369	9,920	--	--	--
--	--	--	--	--	--
--	--	--	--	--	381,255
10,649	--	--	2,461	--	--
<u>10,649</u>	<u>2,369</u>	<u>9,920</u>	<u>2,461</u>	<u>--</u>	<u>381,255</u>
6,589	132	7,735	(2,461)	141,634	10,891
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(135,619)</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(135,619)</u>	<u>--</u>
6,589	132	7,735	(2,461)	6,015	10,891
<u>21,872</u>	<u>10,319</u>	<u>5,269</u>	<u>28,649</u>	<u>193,785</u>	<u>261,805</u>
<u>\$ 28,461</u>	<u>\$ 10,451</u>	<u>\$ 13,004</u>	<u>\$ 26,188</u>	<u>\$ 199,800</u>	<u>\$ 272,696</u>

Shelby County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Continued
Nonmajor Governmental Funds

Year ended June 30, 2016

	Environmental Health	Total
Revenues:		
Property and other County tax	\$ --	\$ 141,634
Intergovernmental	25,745	472,953
Licenses and permits	135,463	135,463
Charges for service	21,227	69,393
Use of money and property	--	28
Miscellaneous	3,164	25,976
Total revenues	<u>185,599</u>	<u>845,447</u>
Expenditures:		
Operating:		
Public safety and legal services	--	12,289
Physical health and social services	181,896	181,896
Mental health	--	381,255
County environment and education	--	273,479
Total expenditures	<u>181,896</u>	<u>848,919</u>
Excess (deficiency) of revenues over (under) expenditures	3,703	(3,472)
Other financing sources (uses):		
Operating transfers in	--	185,000
Operating transfers out	(9,000)	(144,619)
Total other financing sources (uses)	<u>(9,000)</u>	<u>40,381</u>
Change in fund balances	(5,297)	36,909
Fund balances beginning of year	<u>53,890</u>	<u>587,046</u>
Fund balances end of year	<u>\$ 48,593</u>	<u>\$ 623,955</u>

See accompanying independent auditor's report.

Shelby County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

	<u>County Offices</u>		<u>Agricultural Extension Education</u>
	<u>County Recorder</u>	<u>County Sheriff</u>	
Assets			
Cash and pooled investments:			
County Treasurer	\$ --	\$ --	\$ 1,727
Other County officials	38,522	13,011	--
Receivables:			
Property tax:			
Delinquent	--	--	49
Succeeding year	--	--	227,000
Accounts	1,199	--	--
Special assessments	--	--	--
Due from other funds	--	--	--
Due from other governments	--	--	--
Total assets	<u>\$ 39,721</u>	<u>\$ 13,011</u>	<u>\$ 228,776</u>
Liabilities			
Accounts payable	\$ --	\$ --	\$ --
Salaries and benefits payable	--	--	--
Due to other funds	19,363	7,446	--
Due to other governments	20,358	2,045	228,776
Trusts payable	--	3,520	--
Compensated absences	--	--	--
Total liabilities	<u>\$ 39,721</u>	<u>\$ 13,011</u>	<u>\$ 228,776</u>

(continued next page)

<u>County Assessor</u>	<u>Emergency Management Services</u>	<u>Sanitary Disposal District</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 330,081	\$ 424,650	\$ 38,392	\$ 104,320	\$ 10,368	\$ 40,722
--	--	--	--	--	--
82	--	--	2,839	300	--
236,000	--	--	8,778,000	1,175,000	4,416,000
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>\$ 566,163</u>	<u>\$ 424,650</u>	<u>\$ 38,392</u>	<u>\$8,885,159</u>	<u>\$ 1,185,668</u>	<u>\$ 4,456,722</u>
\$ 148,218	\$ 6,493	\$ 22,659	\$ --	\$ --	\$ --
--	15,652	5,380	--	--	--
--	--	--	--	--	--
411,851	285,847	5,431	8,885,159	1,185,668	4,456,722
--	--	--	--	--	--
6,094	116,658	4,922	--	--	--
<u>\$ 566,163</u>	<u>\$ 424,650</u>	<u>\$ 38,392</u>	<u>\$8,885,159</u>	<u>\$ 1,185,668</u>	<u>\$ 4,456,722</u>

Shelby County

Combining Schedule of Fiduciary Assets and Liabilities - Continued
Agency Funds

June 30, 2016

	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Assets			
Cash and pooled investments:			
County Treasurer	\$ 4,434	\$ 323,031	\$ 30
Other County officials	--	--	--
Receivables:			
Property tax:			
Delinquent	2,216	--	--
Succeeding year	384,000	--	3,000
Accounts	--	--	--
Special assessments	--	--	--
Due from other funds	--	--	--
Due from other governments	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 390,650</u>	<u>\$ 323,031</u>	<u>\$ 3,030</u>
Liabilities			
Accounts payable	\$ --	\$ --	\$ --
Salaries and benefits payable	--	--	--
Due to other funds	--	--	--
Due to other governments	390,650	323,031	3,030
Trusts payable	--	--	--
Compensated absences	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 390,650</u>	<u>\$ 323,031</u>	<u>\$ 3,030</u>

(continued next page)

<u>Monies and Credits</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>M/H/S Empowerment</u>	<u>E911</u>	<u>Advance Tax</u>
\$ --	\$ 2,696	\$ 10,576	\$ 88,573	\$ 273,639	\$ 43,700
--	--	--	--	--	--
--	--	303	--	--	--
--	--	1,002,000	--	--	--
--	--	--	--	--	--
--	32,225	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>\$ --</u>	<u>\$ 34,921</u>	<u>\$ 1,012,879</u>	<u>\$ 88,573</u>	<u>\$ 273,639</u>	<u>\$ 43,700</u>
\$ --	\$ --	\$ --	\$ 6,000	\$ 1,471	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
--	34,921	1,012,879	82,573	272,168	43,700
--	--	--	--	--	--
--	--	--	--	--	--
<u>\$ --</u>	<u>\$ 34,921</u>	<u>\$ 1,012,879</u>	<u>\$ 88,573</u>	<u>\$ 273,639</u>	<u>\$ 43,700</u>

Shelby County
Combining Schedule of Fiduciary Assets and Liabilities - Continued
Agency Funds

June 30, 2016

	<u>Tax Sale</u>	<u>Recorder's Electronic Transfer Fee</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ --	\$ 790
Other County officials	--	--
Receivables:		
Property tax:		
Delinquent	--	--
Succeeding year	--	--
Accounts	--	--
Special assessments	--	--
Due from other funds	--	218
Due from other governments	--	--
	<u> </u>	<u> </u>
Total assets	<u>\$ --</u>	<u>\$ 1,008</u>
Liabilities		
Accounts payable	\$ --	\$ --
Salaries and benefits payable	--	--
Due to other funds	--	--
Due to other governments	--	1,008
Trusts payable	--	--
Compensated absences	--	--
	<u> </u>	<u> </u>
Total liabilities	<u>\$ --</u>	<u>\$ 1,008</u>

See accompanying independent auditor's report.

<u>Hotel/Motel Tax</u>	<u>Total</u>
\$ 54,293	\$ 1,752,022
--	51,533
--	5,789
--	16,221,000
14,581	15,780
--	32,225
--	218
--	--
<u>\$ 68,874</u>	<u>\$ 18,078,567</u>
\$ 5,246	\$ 190,087
--	21,032
--	26,809
63,628	17,709,445
--	3,520
--	127,674
<u>\$ 68,874</u>	<u>\$ 18,078,567</u>

Shelby County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2016

Assets and Liabilities	County Offices		Agricultural Extension Education
	County Recorder	County Sheriff	
Balances beginning of year	\$ 23,870	\$ 21,641	\$ 143,857
Additions:			
Property and other County tax	--	--	220,689
E911 surcharge	--	--	--
State tax credits	--	--	10,704
Office fees and collections	264,092	58,422	--
Auto licenses, use tax and postage	--	--	--
Assessments	--	--	--
Trusts	--	154,313	--
Miscellaneous	--	--	--
Total additions	<u>264,092</u>	<u>212,735</u>	<u>231,393</u>
Deductions:			
Agency Remittances:			
To other funds	75,738	--	--
To other governments	172,503	8,157	146,474
Trusts paid out	--	213,208	--
Total deductions	<u>248,241</u>	<u>221,365</u>	<u>146,474</u>
Balances end of year	\$ <u>39,721</u>	\$ <u>13,011</u>	\$ <u>228,776</u>

(continued next page)

<u>County Assessor</u>	<u>Emergency Management Services</u>	<u>Sanitary Disposal District</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 683,735	\$ 417,668	\$ 29,829	\$ 8,731,196	\$ 863,366	\$ 4,404,820
225,607	--	--	8,441,739	1,151,748	3,913,203
--	--	--	--	--	--
17,717	--	--	658,947	65,752	519,657
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
19	913,524	732,744	--	--	--
<u>243,343</u>	<u>913,524</u>	<u>732,744</u>	<u>9,100,686</u>	<u>1,217,500</u>	<u>4,432,860</u>
--	--	--	--	--	--
360,915	906,542	724,181	8,946,723	895,198	4,380,958
--	--	--	--	--	--
<u>360,915</u>	<u>906,542</u>	<u>724,181</u>	<u>8,946,723</u>	<u>895,198</u>	<u>4,380,958</u>
\$ 566,163	\$ 424,650	\$ 38,392	\$ 8,885,159	\$ 1,185,668	\$ 4,456,722

Shelby County

Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds

Year ended June 30, 2016

	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Assets and Liabilities			
Balances beginning of year	\$ 369,544	\$ 332,811	\$ 2,032
Additions:			
Property and other County tax	372,196	--	3,383
E911 surcharge	--	--	--
State tax credits	19,119	--	188
Office fees and collections	--	--	--
Auto licenses, use tax and postage	--	4,296,418	--
Assessments	--	--	--
Trusts	--	--	--
Miscellaneous	--	--	--
Total additions	<u>391,315</u>	<u>4,296,418</u>	<u>3,571</u>
Deductions:			
Agency Remittances:			
To other funds	--	148,877	--
To other governments	370,209	4,157,321	2,573
Trusts paid out	--	--	--
Total deductions	<u>370,209</u>	<u>4,306,198</u>	<u>2,573</u>
Balances end of year	\$ <u>390,650</u>	\$ <u>323,031</u>	\$ <u>3,030</u>

(continued next page)

<u>Monies and Credits</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>M/H/S Empowerment</u>	<u>E911</u>	<u>Advance Tax</u>
\$ --	\$ 34,975	\$ 882,545	\$ 90,927	\$ 249,405	\$ 60,560
--	--	961,813	--	--	48,122
--	--	--	--	282,022	--
--	--	65,539	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	12,329	--	--	--	--
--	--	--	--	--	--
793	--	--	364,905	--	--
<u>793</u>	<u>12,329</u>	<u>1,027,352</u>	<u>364,905</u>	<u>282,022</u>	<u>48,122</u>
--	--	--	--	--	--
793	12,383	897,018	367,259	257,788	64,982
--	--	--	--	--	--
<u>793</u>	<u>12,383</u>	<u>897,018</u>	<u>367,259</u>	<u>257,788</u>	<u>64,982</u>
\$ --	\$ 34,921	\$ 1,012,879	\$ 88,573	\$ 273,639	\$ 43,700

Shelby County

Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds

Year ended June 30, 2016

	<u>Tax Sale</u>	<u>Recorder's Electronic Transfer Fee</u>
Assets and Liabilities		
Balances beginning of year	\$ --	\$ 968
Additions:		
Property and other County tax	66,593	--
E911 surcharge	--	--
State tax credits	--	--
Office fees and collections	--	4,734
Auto licenses, use tax and postage	--	--
Assessments	--	--
Trusts	--	--
Miscellaneous	--	--
Total additions	<u>66,593</u>	<u>4,734</u>
Deductions:		
Agency Remittances:		
To other funds	--	--
To other governments	66,593	4,694
Trusts paid out	--	--
Total deductions	<u>66,593</u>	<u>4,694</u>
Balances end of year	\$ --	\$ 1,008

See accompanying independent auditor's report.

<u>Hotel/Motel Tax</u>	<u>Total</u>
\$ <u>70,657</u>	\$ <u>17,414,406</u>
67,877	15,472,970
--	282,022
--	1,357,623
--	327,248
--	4,296,418
--	12,329
--	154,313
<u>10</u>	<u>2,011,995</u>
<u>67,887</u>	<u>23,914,918</u>
--	224,615
69,670	22,812,934
--	213,208
<u>69,670</u>	<u>23,250,757</u>
\$ <u>68,874</u>	\$ <u>18,078,567</u>

Shelby County

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Fund Types

For the Last Ten Years

	Modified Accrual Basis			
	2016	2015	2014	2013
Revenues:				
Property and other				
County tax	\$ 6,343,651	\$ 6,251,376	\$ 6,226,025	\$ 6,018,898
Tax increment financing	141,634	30,793	153,444	163,392
Interest and penalty on				
property tax	29,467	28,463	33,500	32,714
Intergovernmental	5,254,930	4,416,581	4,364,656	4,252,778
Licenses and permits	143,831	172,207	239,354	242,254
Charges for service	384,469	365,174	358,102	342,226
Use of money and				
property	77,224	79,508	90,264	101,166
Miscellaneous	<u>250,436</u>	<u>363,234</u>	<u>285,037</u>	<u>270,345</u>
Total	<u>\$ 12,625,642</u>	<u>\$ 11,707,336</u>	<u>\$ 11,750,382</u>	<u>\$ 11,423,773</u>
Expenditures:				
Operating:				
Public safety and				
legal services	\$ 2,260,330	\$ 2,271,208	\$ 2,149,071	\$ 1,741,777
Physical health and				
social services	484,342	469,750	635,697	549,195
Mental health	817,638	974,212	1,467,374	1,413,578
County environment				
and education	434,663	423,493	414,598	446,524
Roads and transportation	5,758,022	4,957,777	4,835,398	4,530,985
Governmental services				
to residents	506,713	410,031	435,007	387,162
Administration	1,124,841	1,264,584	1,068,644	1,136,782
Non-program	--	--	--	--
Debt service	--	--	--	735,750
Capital projects	<u>966,170</u>	<u>428,546</u>	<u>692,430</u>	<u>644,998</u>
Total	<u>\$ 12,352,719</u>	<u>\$ 11,199,601</u>	<u>\$ 11,698,219</u>	<u>\$ 11,586,751</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
\$ 5,497,892	\$ 5,215,187	\$ 5,191,493	\$ 5,297,292	\$ 4,737,413	\$ 4,766,609
170,546	207,367	399,815	335,158	183,245	183,245
33,573	36,535	33,851	33,076	28,403	28,459
5,254,445	5,706,279	5,551,934	5,184,318	5,225,590	4,410,119
242,540	228,293	234,838	233,589	214,120	177,386
380,921	369,928	381,407	340,943	313,916	337,799
99,918	126,998	133,249	186,901	328,668	273,406
<u>263,017</u>	<u>258,350</u>	<u>184,560</u>	<u>196,293</u>	<u>287,209</u>	<u>275,494</u>
<u>\$ 11,942,852</u>	<u>\$ 12,148,937</u>	<u>\$ 12,111,147</u>	<u>\$ 11,807,570</u>	<u>\$ 11,318,564</u>	<u>\$ 10,452,517</u>
\$ 1,907,682	\$ 1,803,117	\$ 1,791,313	\$ 1,717,065	\$ 1,704,440	\$ 1,630,894
620,882	525,054	461,919	639,560	368,441	357,941
2,669,056	2,581,235	2,104,122	2,236,326	2,446,599	2,160,238
547,057	449,106	430,653	426,924	444,997	357,578
4,593,683	4,368,341	4,651,541	3,895,860	4,679,611	4,355,212
424,453	393,236	404,185	399,957	398,242	350,805
1,048,413	1,039,502	1,010,335	1,012,706	1,004,741	919,344
--	--	--	--	21,259	27,667
130,989	132,059	391,875	326,818	228,445	221,123
<u>854,740</u>	<u>1,240,684</u>	<u>1,376,142</u>	<u>1,266,974</u>	<u>368,616</u>	<u>343,285</u>
<u>\$ 12,796,955</u>	<u>\$ 12,532,334</u>	<u>\$ 12,622,085</u>	<u>\$ 11,922,190</u>	<u>\$ 11,665,391</u>	<u>\$ 10,724,087</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Shelby County

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County, Iowa, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shelby County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelby County's internal control. Accordingly, we do not express an opinion on the effectiveness of Shelby County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Officials of Shelby County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shelby County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

Shelby County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Shelby County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Conner Wold, Ben, Kyhn & Co. P. C.

Atlantic, Iowa
February 20, 2017

Shelby County
Schedule of Findings and Responses
Year ended June 30, 2016

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

Shelby County
Schedule of Findings and Responses - Continued
Year ended June 30, 2016

Part II: Other Findings Related to Required Statutory Reporting

- 16-II-A Certified Budget: Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the mental health function. Disbursements in certain departments exceeded the amounts appropriated.
- Recommendation: The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response: We will amend the budget when required in the future.
- Conclusion: Response accepted.
- 16-II-B Questionable Expenditures: No expenditures were noted that meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 16-II-C Travel Expense: No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 16-II-D Business Transactions: No business transactions between the County and County officials were noted.
- 16-II-E Bond Coverage: Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 16-II-F Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.
- 16-II-G Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 16-II-H Resource Enhancement and Protection Certification: The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 16-II-I County Extension Office: The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2016 for the County Extension Office did not exceed the amount budgeted.

Shelby County
Schedule of Findings and Responses - Continued
Year ended June 30, 2016

Part II: Other Findings Related to Required Statutory Reporting - Continued

- 16-II-J Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- 16-II-K Early Childhood Iowa Area Board: Shelby County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County's financial statements as part of the M/H/S Empowerment Agency Fund because of the County's fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

* * *